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USMTN

DEPT PASS STR ELECTRONICALLY

E.O. 11652: GDS
TAGS: ETRD, JA, US
SUBJECT: STRAUSS-USHIBA FOLLOW-UP: SUMMARY STATUS REPORT
NO. 2

REF: (A) STATE 36503, (B) TOKYO 3245

1. (U) SUMMARY: THE GOJ HAS MADE USEFUL PROGRESS IN
CARRYING OUT REGULATORY AND OTHER PROVISIONS OF THE
STRAUSS-USHIBA STATEMENT, INCLUDING THE DISPATCH OF A
HIGHLY SUCCESSFUL IMPORT PROMOTION MISSION TO THE U.S.,
ADVANCE TARIFF CUTS, REMOVAL OF SOME QUOTA CONTROLS,
AND FOREIGN EXCHANGE CONTROL LIBERALIZATION. IT IS
STILL TOO EARLY FOR OVERALL TRADE AND ECONOMIC DATA TO
HAVE SHOWN SIGNS OF CHANGE. END SUMMARY.

2. (U) THE CURRENT STATUS OF UNDERTAKINGS CONTAINED IN
THE STRAUSS-USHIBA JOINT STATEMENT OF JANUARY 13, 1978
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IS AS FOLLOWS:

3. (U) A - INCREASED ECONOMIC GROWTH--JAPAN WILL ACHIEVE
A HIGH, NON-INFLATIONARY RATE OF GROWTH AND REITERATES
ITS 7 PERCENT GROWTH TARGET FOR JFY-78:

4. (U) DESPITE SOME CONCERN ABOUT THE IMPACT OF RECENT

YEN APPRECIATION ON PROSPECTS FOR DOMESTIC GROWTH IN THE COMING YEAR, THE GOJ CONTINUES ITS EFFORTS TO ACHIEVE THE 7 PERCENT TARGET. THE EXPANSIONARY FY-78 BUDGET HAS BEEN PASSED BY THE LOWER HOUSE OF THE DIET AND BECOMES

LAW IN EARLY APRIL UNLESS THE UPPER HOUSE PASSES IT EARLIER. THE DISCOUNT RATE WAS CUT BY 3/4 PERCENT, TO A POSTWAR LOW OF 3-1/2 PERCENT, EFFECTIVE MARCH 16. AND ANOTHER SERIES OF MEASURES DESIGNED PRIMARILY TO REINFORCE PROSPECTS FOR ACHIEVING THE 7 PERCENT TARGET WAS ANNOUNCED BY THE ECONOMIC CABINET MARCH 25. (SEE TOKYO 4923.)

5. (C) RECENT YEN APPRECIATION HAS CREATED A GOOD DEAL OF GENUINE CONCERN WITHIN THE GOJ THAT ACHIEVING THE 7 PERCENT GROWTH TARGET WILL BE MORE DIFFICULT THAN ANTICIPATED, AND THE TEMPTATION FOR THE GOJ TO SEIZE UPON APPRECIATION AS A BASIS FOR REVISING THE GROWTH TARGET DOWNWARD IS STRONG. IT IS NOTEWORTHY THAT IN THE USHIBA-HAFERKAMP COMMUNIQUE, MINISTER USHIBA'S REITERATION OF THE 7 PERCENT GROWTH TARGET WAS "BASED ON THE ASSUMPTION OF A STABLE INTERNATIONAL MONETARY SITUATION." AT THE SAME TIME IT IS CLEAR THAT PRIME MINISTER FUKUDA COULD, AS A MATTER OF DOMESTIC POLITICS, SUCCESSFULLY GET OUT FROM UNDER THE 7 PERCENT GROWTH TARGET EVEN IF HE WISHED. FOR EXAMPLE, HE WAS RECENTLY ASKED IN THE CONFIDENTIAL

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UPPER HOUSE WHETHER HE WOULD STAKE HIS POLITICAL FUTURE ON ACHIEVING THE TARGET AND REPORTEDLY RESPONDING IN A WAY THAT WAS INTERPRETED AS IMPLYING THAT HE WOULD.

6. (U) B - JAPAN'S CURRENT ACCOUNT SURPLUS WILL BE CONSIDERABLY REDUCED IN JFY-78, AND THEREAFTER FURTHER EFFORTS TO REDUCE IT WILL BE CONTINUED, AIMING AT EQUILIBRIUM:

7. (U) JAPAN CONTINUED TO EXPERIENCE LARGE CURRENT ACCOUNT SURPLUSES IN JAN. AND FEB. OF THIS YEAR, REACHING \$3.5 BILLION FOR THE TWO MONTHS COMBINED, SEASONALLY ADJUSTED. THESE LARGE SURPLUSES CAN PROBABLY BE ATTRIBUTED TO SOME DEGREE TO THE TEMPORARY IMPROVEMENT IN A COUNTRY'S TRADING ACCOUNTS WHICH IS TO BE EXPECTED FOLLOWING AN APPRECIATION. SPECIAL FACTORS MAY ALSO BE OPERATING, FOR EXAMPLE, EXPORTS MAY HAVE BEEN ACCELERATED IN ANTICIPATION OF THE IMPOSITION OF EXPORT RESTRAINTS. WE HAD ANTICIPATED THAT IT WOULD BE SOME TIME BEFORE TRENDS EVIDENCING AN IMPROVEMENT IN JAPAN'S TRADING ACCOUNTS WOULD APPEAR, AND WE REMAIN CONFIDENT THAT JAPAN WILL BE ABLE TO REDUCE ITS CURRENT ACCOUNT SURPLUS SUB-

STANTIALLY IN THE FISCAL YEAR WHICH BEGINS APRIL 1.

8. (C) JAPAN'S CURRENT ACCOUNT SURPLUS IN FY-78 WAS PUT AT \$6 BILLION IN THE ECONOMIC FORECAST MADE IN CONJUNCTION WITH THE BUDGET PRESENTATION. IN THE USHIBA-HAFERKAMP COMMUNIQUE, USHIBA STATED THAT THE FY-78 CURRENT ACCOUNT SURPLUS WAS ESTIMATED TO BE ABOUT 1/3 SMALLER THAN IN FY-77. THUS IF THE SURPLUS IN FY-77 TURNS OUT TO BE \$13-14 BILLION, AS IS LIKELY, THE IMPLIED ESTIMATE FOR FY-78 WOULD BE IN THE \$8-1/2-9-1/2 BILLION RANGE. WE UNDERSTAND THAT THE EC ENDED UP BUYING THIS FORMULATION BECAUSE OF ITS DESIRE TO PIN THE JAPANESE DOWN ON A

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QUANTITATIVE TARGET. HOWEVER, THERE IS AT LEAST AS YET, NO SUGGESTION THAT THE GOJ IS REVISING ITS ORIGINAL FY-78 FORECAST. THE USHIBA-HAFERKAMP COMMUNIQUE ALSO SUGGESTS THAT REDUCTION IN JAPAN'S CURRENT ACCOUNT SURPLUS WOULD BEGIN TO BE SEEN BY THE AUTUMN OF 1978. WITH THE LARGE SURPLUSES IN JAN. AND FEB., THERE IS OBVIOUSLY A GOOD BIT OF RESULTING NERVOUSNESS ABOUT ACHIEVING THE FORECAST REDUCTION FOR FY-78. THIS HAS CULMINATED IN BOTH FURTHER EFFORTS TO ACCELERATE THE EMERGENCY IMPORT PROGRAM AND AN AMORPHOUS AGREEMENT TO HOLD THE VOLUME OF JAPAN'S EXPORTS IN FY-78 TO THE FY-77 LEVEL.

9. (U) C - TRADE OBJECTIVES -

(A) BASIC EQUITY IN THE U.S.-JAPAN TRADING RELATIONSHIP,
(B) SECO, (C) PARITY IN OPENNESS OF BOTH U.S. AND JAPANESE
MARKETS, AND (D) COMPARABLE AVERAGE LEVELS OF BOUND
TARIFFS:

10. (U) WASHINGTON AGENCIES AND USMTN GENEVA WILL HAVE THE MOST CURRENT ASSESSMENT ON THESE MTN TOPICS.

11. (U) D - MEASURES TO INCREASE JAPANESE IMPORTS OF
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MANUFACTURES IN TERMS OF TOTAL VALUE AND SHARE OF TOTAL IMPORTS:

12. THERE ARE ALREADY SOME FAVORABLE SIGNS THAT JAPANESE IMPORTS OF MANUFACTURES WILL INCREASE. ABOUT 39 PERCENT OF THE PURCHASES OF THE IMPORT PROMOTION MISSION WERE OF MANUFACTURED PRODUCTS, OR ABOUT TWICE THE RATIO OF MANUFACTURES IN JAPANESE IMPORTS OVERALL. JAPANESE AIR CARRIERS PLAN TO BEGIN PURCHASING LARGE COMMERCIAL AIRCRAFT SOON. PERMANENT IMPROVEMENT IN THE STRUCTURE OF IMPORTS WILL TAKE TIME, BUT WE EXPECT STEADY PROGRSS.

13. (U) E - ADVANCE TARIFF CUTS EFFECTIVE APRIL 1, 1978:

14. (U) ALL OF THE PROPOSED ADVANCE TARIFF CUTS WERE PUT INTO EFFECT ON MARCH 4, WELL AHEAD OF SCHEDULE.

15. (U) F - REMOVAL OF QUOTA CONTROLS ON TWELVE PRODUCTS:

16. (U) THE OFFICIAL MITI GAZETTE OF MARCH 20 ANNOUNCES LIBERALIZATION OF TWELVE QUOTA RESTRICTED ITEMS, EFFECTIVE APRIL 1. THESE INCLUDE SMOKED HERRING, CUTTLE FISH, CANNED HAMS AND BACON WHICH DO NOT REQUIRE REFRIGERATION, CERTAIN SUGARS INCLUDING MALT SUGAR, MAPLE SYRUP, CERTAIN FRUIT PULPS, LIME JUICE, CERTAIN MIXED SEASONINGS AND EDIBLE SEaweeds. THE SAME GAZETTE ITEM ANNOUNCES LIBER-ALIZATION OF QUOTA RESTRICTIONS ON CERTAIN COAL AND STRONTIANITE.

17. (U) POTENTIAL TRADE IN MOST OF THESE ITEMS IS RATHER SMALL, SOME--PARTICULARLY LEATHERS--REQUIRE FURTHER CLARIFICATION FROM MITI BEFORE THEIR SIGNIFICANCE CAN BE EVALUATED. LIBERALIZATION OF LIME JUICE, MALT SUGAR AND
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MAPLE SYRUP IS OF POTENTIAL ADVANTAGE TO THE U.S. AND SOME U.S. MANUFACTURERS OF CANNED HAM WILL BENEFIT, BUT COMPETITION FROM EUROPE WILL BE KEEN.

18. (U) THE GOJ SEEMS TO HAVE MET ITS COMMITMENT FOR THIS PART OF THE USHIBA PACKAGE.

19. (U) G - INCREASE IMPORTS OF HIGH QUALITY BEEF BY 10,000 MT IN JFY 1978:

20. (U) U.S. AND JAPANESE OFFICIALS AND INDUSTRY REPRESENTATIVES HELD INTENSIVE TALKS IN TOKYO WEEK OF MARCH 13. GOJ IS COMMITTED TO FACILITATE IMPORT OF ADDITIONAL 10,000 TONS OF HIGH QUALITY BEEF IN JFY 1978. FURTHER TALKS ON DETAILS AND NEXT STEPS WILL BE HELD WHEN JAPANESE BEEF TEAM VISITS WASHINGTON ABOUT MID-APRIL.

21. (C) DURING VISIT OF U.S. BEEF TEAM WEEK OF MARCH 13, MAF OFFICIALS SPENT ENTIRE NIGHT DECIDING THAT COMMUNIQUE WAS GOJ COMMITMENT "TO FACILITATE IMPORTATION OF ADDITIONAL 10,000 TONS OF HIGH QUALITY BEEF IN JFY 1978." AFTER REACHING THIS AGONIZING DECISION, THEY ASKED THAT U.S. NOT TO INDICATE PUBLICLY THAT THERE HAD BEEN DIFFERENCES IN U.S. AND GOJ INTERPRETATIONS OF COMMUNIQUE. MAF OFFICIALS HAVE ADVISED THAT GOJ ACTION TO HOLD LINE ON PRODUCER BEEF PRICES SHOULD BE INTERPRETED AS POSITIVE SIGN THAT THEY WILL FACILITATE, NOT FRUSTRATE, THE IMPORT

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OF THE ADDITIONAL 10,000 TONS. NIHON KEIZAI REPORTED MARCH 28 THAT BEEF AND PORK PRICES WILL NOT BE INCREASED. CONSIDERING THE PRODUCER PRESSURE FOR LARGE PRICE HIKES, THIS IS PERHAPS A POSITIVE SIGN BUT TEMPERED SOMEWHAT

BY FACT THAT MAF'S CALCULATIONS USING THE SAME FORMULA AS IN OTHER YEARS INDICATED THAT PRICES SHOULD BE LOWERED (PRIMARILY BECAUSE FEED PRICES ARE DOWN). OTHER POSITIVE SIGNS WERE LIPC MARCH 17 TENDER FOR NORTH AMERICAN BEEF AT APPROXIMATELY TWICE THE QUANTITY OF PREVIOUS TENDERS AND THE LIPC STATEMENT TO THE BEEF TEAM THAT THEY WOULD RESUME IMPORTS OF WHOLE CARCASS CHILLED BEEF AND EXPAND NUMBER OF TYPES OF CUTS IMPORTED THROUGH THE LIPC.

22. (U) H - INCREASE IMPORTS OF ORANGES FROM 15,000 TO 45,000 MT:

23. (U) AS A PART OF THE UNDERSTANDING LEADING UP TO THE STRAUSS-USHIBA COMMUNIQUE, THE GOVERNMENT OF JAPAN ANNOUNCED ON MARCH 14 AN ADDITIONAL 3,000-METRIC TON ORANGE AND TANGERINE IMPORT QUOTA FOR JFY 1977 (TOKYO 4193). IN ADDITION, MINISTER OF AGRICULTURE NAKAGAWA HAS COMMITTED MAF TO ANNOUNCING THE NEW AND INCREASED
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FIRST HALF JFY 1978 ANNUAL QUOTA BY THE END OF APRIL OR AT LATEST EARLY MAY.

24. (U) I - INCREASE IMPORT QUOTA FOR CITRUS JUICE TO 4,000 MT:

25. (U) THE GOJ ANNOUNCED ON MARCH 10 AN INCREASE OF 1,000 METRIC TONS IN THE CITRUS JUICE QUOTA FOR JFY 1977 OVER THE PREVIOUS FISCAL YEAR (TOKYO 3937). RESPONSIBLE MAF OFFICIALS UNDERSTAND THE GOJ COMMITMENT UNDER THE STRAUSS-USHIBA COMMUNIQUE AND ASSURE THAT THE FULL JFY 1978 CITRUS JUICE QUOTA OF 4,000 METRIC TONS WILL BE ANNOUNCED BY DECEMBER 31, 1978. THE TIMING OF THE ANNOUNCEMENT LATE IN THE YEAR IS NOT UNUSUAL AND SHOULD COINCIDE WITH THE AVAILABILITY OF SUPPLIES IN THE U.S.

25. (U) J - REVIEW FOREIGN EXCHANGE CONTROL SYSTEM, AND ANNOUNCE IMMEDIATE LIBERALIZATION MEASURES SOON:

26. (U) IN MID-MARCH THE MONETARY AUTHORITIES ANNOUNCED FURTHER RESTRAINTS ON FOREIGN PURCHASES OF JAPANESE BONDS AND AN INCREASE IN RESERVE REQUIREMENTS ON NON-RESIDENT FREE YEN DEPOSITS AS A MEANS OF INHIBITING SHORT-TERM CAPITAL INFLOWS. HOWEVER, THE MOF IS EXPECTED TO CARRY OUT ITS 11-POINT PROGRAM TO EASE FOREIGN EXCHANGE CONTROL REGULATIONS EFFECTIVE APRIL 1. CONCERNED MINISTRIES ARE ACCELERATING THEIR REVIEW OF MORE FUNDAMENTAL CHANGES IN THE FOREX CONTROL SYSTEM WITH A VIEW TO OBTAINING REQUIRED LEGISLATION FROM THE NEXT REGULAR DIET SESSION (IN THE FIRST HALF OF 1979).

27. (U) K - ESTABLISH AN INTER-INDUSTRY CITRUS GROUP TO REPORT TO BOTH GOVERNMENTS BY NOVEMBER 1, 1978:

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28. (U) PLANS FOR EFFECTIVE PROGRAMMING OF THE INTER-INDUSTRY CITRUS GROUP ARE PROCEEDING AND THE U.S. DELEGATION WILL BE IN TOKYO APRIL 3-5 FOR THE FIRST MEETINGS (TOKYO 4196). WHILE THE DATE FOR THE JAPANESE DELEGATION'S VISIT TO THE UNITED STATES IS NOT YET FIRM, THE POSSIBILITY OF A LATE APRIL VISIT IS NOW UNDER CONSIDERATION.

29. (U) L - DISPATCH A FOREST PRODUCTS GROUP TO THE U.S. NORTHWEST TO EXPAND AND UPGRADE THIS TRADE:

30. (U) A PRELIMINARY ROUND OF TALKS ON FOREST PRODUCTS WAS HELD IN TOKYO WITH INDUSTRY REPRESENTATIVES PRESENT ON MARCH 6-9 AND A MUCH BETTER UNDERSTANDING OF THE PROBLEMS OF THIS TRADE AND INCREASING ITS VALUE WAS ACHIEVED. SOME RELAXATION OF LUMBER STANDARDS IS EXPECTED. GOJ OFFICIALS ARE NOW CONSIDERING WHO THEY WILL SEND ON A RETURN MISSION TO THE U.S. NORTHWEST AND WHAT FURTHER STEPS CAN BE TAKEN.

31. (U) M - DISPATCH MISSION TO U.S. TO EXPLORE PURCHASES OF ELECTRIC POWER PLANT EQUIPMENT:

32. (U) THIS MISSION WAS A UNIT OF THE MARCH JAPAN IMPORT PROMOTION MISSION TO THE U.S. AND VISITED A HALF-DOZEN CITIES DURING TWO-WEEK VISIT. MITI EXPECTS TO PROVIDE US SHORTLY WITH ESTIMATES OF ANNUAL AND PROJECTED SALES.

33. (U) ELECTRIC POWER COMPANIES WILL BE INVESTING 4.3 TRILLION YEN (\$17.2 BILLION) IN THE COMING FISCAL YEAR, AN INCREASE FROM PREVIOUS PLANS FOR CAPITAL SPENDING OF 3.2 TRILLION YEN. MOST OF THIS WILL BE FOR LOCAL COSTS, BUT THE INCREASED INVESTMENT MAY PROVIDE SOME NEW EXPORT OPPORTUNITIES.

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34. (U) N - DISPATCH OF A JAPANESE BUYING MISSION TO THE
U.S.:

35. (U) THE JAPAN IMPORT PROMOTION MISSION TO THE U.S.
COMPLETED ITS VISIT ON MARCH 22. THE MISSION RE-
PORTED THAT IT EXPECTS TOTAL SALES GENERATED DURING THE
VISIT OR WITHIN SIX MONTHS TO AMOUNT TO \$1.94 BILLION,
OF WHICH \$30 MILLION REPRESENT ESTIMATED BUSINESS TRANS-
ACTED IN MARCH. OVERALL FIGURE INCLUDES: INDUSTRIAL
PRODUCTS - \$770 MILLION; PROCESSED FOODS - \$280 MILLION;
AND RAW MATERIALS - \$890 MILLION. MISSION LEADER IKEDA
EXPRESSED HIS APPRECIATION TO THE AMBASSADOR PERSONALLY
FOR EXTENSIVE USG SUPPORT AND ASSISTANCE. (SEE TOKYO
4605.) OVERALL THE MISSION WAS AN OUTSTANDING SUCCESS,
FAR EXCEEDING EXPECTATIONS, AND FULLY JUSTIFYING THE
MAJOR EFFORT GIVEN TO IT ON BOTH SIDES.

36. (U) AS A FOLLOW-UP TO THE MISSION A MAJOR DEPARTMENT
STORE WILL SEND A GROUP OF BUYERS TO THE U.S. APRIL 9-29.
THE GROUP IS INTERESTED ALSO IN ATTENDING FIVE TRADE
SHOWS.

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37. (U) O - JAPANESE CABINET DECISION TO INCREASE
OPPORTUNITIES FOR FOREIGN SUPPLIERS UNDER GOVERNMENT PRO-
CUREMENT:

38. (U) CABINET DECISION ENACTED JANUARY 13 (TEXT CON-
TAINED TOKYO 3256) REQUIRES IMPLEMENTING LEGISLATION OR
CHANGE IN EXISTING STATUTES. IMPLEMENTATING INSTRUCTIONS
FROM THE FINANCE MINISTRY'S BUDGET BUREAU ARE EXPECTED IN
APRIL. RECENT RESULTS OF CHANGES IN GOJ PROCUREMENT
POLICY INCLUDE GOJ-AUTHORIZED PROCUREMENT OF HELICOPTERS
FOR GOVERNMENT AND PRIVATE USE INCLUDING FOR ELECTRIC

POWER COMPANIES, AND MEDICAL EQUIPMENT FOR NATIONAL HOSPITALS.

39. (U) P - SIMPLIFICATION OF JAPANESE IMPORT INSPECTION REQUIREMENTS:

40. (U) WE ANTICIPATE NEW AND SIMPLIFIED INSPECTION PROCEDURES ON AUTOS, PHARMACEUTICALS, AND MARINE ENGINES AND HAVE BEEN INFORMED THAT MEASURES ON OTHER IMPORTS ARE UNDER STUDY. WE ARE URGING IMPROVEMENTS IN LUMBER INSPECTION PROCEDURES. THE PROCESS OF REVISING INSPECTION REQUIREMENTS WILL TAKE SOME TIME TO COMPLETE, BUT HAS BEGUN IN EARNEST.

41. (U) Q - EXPANSION OF JAPANESE IMPORT CREDITS:

42. (U) THE BUDGET REQUEST FOR FUNDS FOR THE JAPAN EXPORT-IMPORT BANK'S IMPORT AND INVESTMENT FACILITY FOR FY-78 HAS BEEN INCREASED: A NEW FOREIGN CURRENCY LENDING FACILITY TO FINANCE EMERGENCY IMPORTS HAS BEEN ESTABLISHED AT THE EXPORT-IMPORT BANK; AND THE BANK OF JAPAN HAS INCREASED CREDIT AVAILABLE FOR IMPORT FINANCING.
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43. (U) THE ECONOMIC CABINET ON MARCH 11 CLARIFIED THAT AMONG THE ITEMS ELIGIBLE FOR EXPORT-IMPORT BANK FOREIGN CURRENCY FINANCING WERE AIRCRAFT ACQUIRED FOR LEASE TO OTHER COUNTRIES AND, IMPORTANT RAW MATERIALS FOR STOCK-PILES, AS WELL AS ADVANCED PAYMENTS FOR IMPORTS OF THE LATTER.

44. (U) R - RELAXED RULES FOR THE STANDARD METHOD OF SETTLEMENT FOR IMPORTS:

45. (U) THE MOF ANNOUNCED A RELAXATION EFFECTIVE MARCH 1, 1978 OF THE SMS RULES CONSISTENT WITH OUR EXPECTATIONS REGARDING NEAR-TERM ACTION AT THE TIME OF THE STRAUSS-USHIBA TALKS. (DETAILS OF THE STEPS TAKEN ARE CONTAINED IN TOKYO 3078). WE ANTICIPATE THAT FURTHER DISCUSSIONS CONCERNING THE SMS WILL BE WITHIN A MULTILATERAL FRAME-
WORK.

46. (C) GIVEN THE ROLE THAT LEADS AND LAGS PLAY AS A VEHICLE FOR TRANSMITTING PRESSURES ON THE YEN EXCHANGE RATE, FURTHER SIGNIFICANT LIBERALIZATION OF THE SMS SEEMS UNLIKELY EXCEPT IN THE CONTEXT OF A MAJOR CHANGE IN THE EXCHANGE CONTROL SYSTEM. SHOULD SPECIFIC PROBLEMS ARISE OUT OF THE OPERATION OF THE SMS AS REVISED, THE JAPANESE WOULD PROBABLY BE PREPARED TO RECONSIDER THEM OR GRANT AN EXCEPTION IF WE WERE PREPARED TO APPROACH

THEM IN THIS VEIN.

47. (U) S - COOPERATION IN INTERNATIONAL EFFORTS TO CURB
EXCESSIVE COMPETITION IN EXPORT CREDITS:

48. (U) JAPAN HAS CONFIRMED ITS INTENT TO ADHERE TO THE
NEW ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS.

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AS PREVIOUSLY REPORTED, THE FY-78 BUDGET REQUEST FOR
FUNDS FOR THE JAPAN EXPORT-IMPORT BANK HAS BEEN HELD TO
A MODEST (LESS THAN 1 PERCENT) INCREASE. ALTHOUGH TOTAL
FUNDS AVAILABLE TO EX-IM (ADDING IN OTHER SOURCES, I.E.
INTERNAL FUNDS) ARE EXPECTED TO INCREASE MORE RAPIDLY
IN FY-78 (BY OVER 9 PERCENT), LENDING TO SUPPORT EXPORTS
IS SLATED TO DECREASE BY MORE THAN 4 PERCENT FROM PLANNED
FY-77 LEVELS.

49. (U) T - DOUBLE JAPANESE OFFICIAL DEVELOPMENT ASSIS-
TANCE IN FIVE YEARS:

50. (U) THIS COMMITMENT WAS REINFORCED IN TALKS WITH EC
REPRESENTATIVES. IN FACT THE JAPANESE INTEND TO MORE
THAN DOUBLE AND MAY TRIPLE ODA IN THE NEXT FIVE YEARS.
NEXT YEAR THE ODA BUDGET WILL BE UP 22 PERCENT.

51. (U) U - GOJ WILL PURSUE A POLICY OF AID UNTYING:

52. (U) THE GOJ HAS DECIDED UPON THE FOLLOWING TWO OVER-
ALL GUIDELINES FOR UNTYING AID: 1) PROCUREMENT UNDER NEW

LOANS SHOULD GENERALLY BE UNTIED, ESPECIALLY FOR A) COMMO-
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DITIES, (EXCEPT THOSE PRODUCED BY "STRUCTURALLY DEPRESSED"
INDUSTRIES), B) JOINT FINANCING INVOLVING INTERNATIONAL
FINANCIAL INSTITUTIONS, C) TWO-STEP LOANS, AND D) WHEN-
EVER RECIPIENT COUNTRIES PARTICULARLY REQUEST THAT THE
LOAN BE UNTIED AND GOJ CONSIDERS THAT IT SHOULD ACCEDE
TO SUCH REQUESTS FOR FOREIGN POLICY REASONS; 2) GOJ WILL
KEEP THE SITUATION UNDER REVIEW TO SEE WHETHER THE SCOPE
OF UNTYING CAN BE EXPANDED.

53. (C) WHAT APPEARS TO BE NEW ABOUT THE INTERNAL AGREE-
MENT ON SUCH GUIDELINES IS THE MERE FACT OF THEIR FORMU-
LATION. PREVIOUS INTER-AGENCY CONSULTATIONS FOLLOWED
A CASE-BY-CASE APPROACH. SOME OF THE ABOVE HAS APPEARED
IN THE PRESS, AND GOJ (MITI) HAS CONFIRMED THE REPORTS.
OTHER PORTIONS, SUCH AS THE "TWO-STEP LOANS" ARE NOT
CLEAR TO US, AND WE ARE INVESTIGATING FURTHER.

54. (U) V - REVIEW PROCEDURES; INCREASED SUPPORT FOR THE
TFC, AND FUTURE MEETINGS AT VARIOUS LEVELS TO DISCUSS
PROGRESS:

55. (U) THE TFC HAS TAKEN UP SEVEN SPECIFIC COMPLAINTS,
RESOLVED SOME OF THEM FAVORABLY AND IS CONSIDERING OTHERS.
THE TRADE STUDY GROUP UNDER THE TFC IS CONDUCTING FIVE
STUDIES OF BROADER TRADE PROBLEMS.

56. (U) AMBASSADOR STRAUSS MEETS WITH MINISTER USHIBA
IN GENEVA ON APRIL 10 FOR BROAD DISCUSSIONS INCLUDING
THE U.S.-JAPAN TRADE SITUATION. THE VISIT OF THE PRIME
MINISTER TO WASHINGTON ON MAY 2-3 WILL PROVIDE ANOTHER
OPPORTUNITY FOR FOLLOW-UP TALKS, AND LATER MEETINGS ARE
PLANNED.

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57. (U) TEXT CORRECTIONS:
- PARA 35 FIGURE \$30 MILLION SHOULD BE \$390 MILLION
- PARA 38 SECOND LINE SHOULD SAY "REQUIRES NO IMPLI-
- MENTING LEGISLATION." MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO05045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780134-0403
Format: TEL
From: TOKYO MTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780316/aaaaanpr.tel
Line Count: 598
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4a2dfebb-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 36503, 78 TOKYO 3245
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3177319
Secure: OPEN
Status: NATIVE
Subject: STRAUSS-USHIBA FOLLOW-UP: SUMMARY STATUS REPORT NO. 2
TAGS: ETRD, JA, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4a2dfebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014